

SENATE BILL 504

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2003 Regular Session
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By: **Senators Klausmeier, Pipkin, Middleton, Gladden, and Kelley**
Introduced and read first time: January 31, 2003
Assigned to: Finance

A BILL ENTITLED

1 AN ACT concerning

2 **Electricity - Universal Service Program - Extension and Funding**

3 FOR the purpose of continuing a certain electric universal service charge at a certain
4 level for certain purposes; requiring the Public Service Commission to make
5 certain recommendations based on certain factors in a report each year to the
6 General Assembly; repealing a provision providing for the determination of a
7 certain charge for certain purposes only after recommendation by the
8 Commission and enactment of legislation; providing for the retention of certain
9 funds in the universal service program fund for certain purposes for certain
10 periods; providing for the return of certain funds to certain electric customer
11 classes in a certain proportion and a certain manner after a certain period;
12 making stylistic changes; providing for the effective date of a portion of this Act;
13 and generally relating to the electric universal service program and the
14 universal service program fund.

15 BY repealing and reenacting, without amendments,
16 Article - Public Utility Companies
17 Section 7-512.1(g) and (h)(1) through (4)
18 Annotated Code of Maryland
19 (1998 Volume and 2002 Supplement)

20 BY repealing and reenacting, with amendments,
21 Article - Public Utility Companies
22 Section 7-512.1(a), (b), (c), (d), and (h)(5)
23 Annotated Code of Maryland
24 (1998 Volume and 2002 Supplement)

25 BY repealing
26 Article - Public Utility Companies
27 Section 7-512.1(e) and (f)
28 Annotated Code of Maryland
29 (1998 Volume and 2002 Supplement)

1 BY renumbering
2 Article - Public Utility Companies
3 Section 7-512.1(g) and (h), respectively
4 to be Section 7-512.1(e) and (f), respectively
5 Annotated Code of Maryland
6 (1998 Volume and 2002 Supplement)

7 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
8 MARYLAND, That the Laws of Maryland read as follows:

9 **Article - Public Utility Companies**

10 7-512.1.

11 (a) (1) The Commission shall establish a universal service program to assist
12 electric customers with annual incomes at or below 150% of the federal poverty level.

13 (2) The Department of Human Resources shall be responsible for
14 administering the universal service program through the [Maryland Energy
15 Assistance Program] OFFICE OF HOME ENERGY PROGRAMS.

16 (3) The Department of Human Resources may, with input from a panel
17 or roundtable of interested parties, contract with a for-profit or a nonprofit Maryland
18 corporation existing as of July 1, 1999 to assist in administering the universal service
19 program.

20 (4) The Commission shall have oversight responsibility for the universal
21 service program.

22 (5) The components of the universal service program shall include:

23 (i) bill assistance, at a minimum of 50% of the determined need;

24 (ii) low-income weatherization; and

25 (iii) the retirement of arrearages that were incurred prior to the
26 initial implementation date.

27 (b) (1) (i) All customers [will] SHALL contribute to the funding of the
28 universal service program through a charge collected by each electric company.

29 (ii) In the first 6 months after the initial implementation date, the
30 Commission shall consider adjustments to the charges collected for the universal
31 service program for persons that are not eligible for customer choice.

32 (2) The Commission shall determine a fair and equitable allocation for
33 collecting the charges among all customer classes pursuant to subsection (d) of this
34 section.

1 (3) [Any] IN ACCORDANCE WITH SUBSECTION (F)(5)(II) OF THIS
2 SECTION, ANY unexpended universal service program funds returned to customers
3 under subsection [(h)] (F) of this section shall be returned to EACH customer
4 [classes] CLASS AS A CREDIT in the same [proportions as they were collected]
5 PROPORTION THAT THE CUSTOMER CLASS CONTRIBUTED CHARGES TO THE FUND.

6 (4) An electric company shall recover universal service program costs in
7 accordance with § 7-512 of this subtitle.

8 (5) The Commission shall determine the allocation of the universal
9 service charge among the generation, transmission, and distribution rate components
10 of all classes.

11 (6) The Commission may not assess the universal service surcharge on a
12 per kilowatt-hour basis.

13 (c) On or before December 1[, 1999, and on an annual basis thereafter] OF
14 EACH YEAR, the Commission shall report, subject to § 2-1246 of the State
15 Government Article, to the General Assembly on the universal service program,
16 including:

17 (1) subject to [subsections (d) and (e)] SUBSECTION (D) of this section, a
18 recommendation on the total amount of funds for the program for the following fiscal
19 year BASED ON:

20 (I) THE LEVEL OF PARTICIPATION IN AND THE AMOUNTS
21 EXPENDED FROM THE UNIVERSAL SERVICE PROGRAM DURING THE PRECEDING
22 FISCAL YEAR;

23 (II) HOW PAYMENTS TO CUSTOMERS WERE CALCULATED DURING
24 THE PRECEDING FISCAL YEAR;

25 (III) THE PROJECTED NEEDS OF THE UNIVERSAL SERVICE
26 PROGRAM FOR THE NEXT FISCAL YEAR; AND

27 (IV) THE AMOUNT OF ANY SURPLUS CARRIED OVER IN THE
28 UNIVERSAL SERVICE PROGRAM FUND UNDER SUBSECTION (F)(5)(I) OF THIS SECTION;

29 (2) for bill assistance:

30 (i) the total amount of need, as determined by the Commission, for
31 electric customers with annual incomes at or below 150% of the federal poverty level
32 and the basis for this determination; and

33 (ii) the percentage of need, as determined by the Commission, but
34 at a minimum of 50%, that should be funded through the universal service program
35 and the basis for this determination;

36 (3) for low-income weatherization, the amount of funds needed, as
37 determined by the Commission, for measures that reduce consumption of energy by

1 electric customers with annual incomes at or below 150% of the federal poverty level
2 and the basis for this determination;

3 (4) the amount of funds needed, as determined by the Commission, to
4 retire arrearages that were incurred prior to the initial implementation date by
5 electric customers with annual incomes at or below 150% of the federal poverty level
6 and the basis for this determination;

7 (5) the impact on customers' rates, including the allocation among
8 customer classes, from collecting the total amount recommended by the Commission
9 under item (1) of this subsection; and

10 (6) the impact of using other federal poverty level benchmarks on costs
11 and the effectiveness of the universal service program.

12 (d) The total amount of funds to be collected for the universal service program
13 [in each of the 3 years following the initial implementation date] EACH YEAR shall be
14 \$34,000,000, allocated in the following manner:

15 (1) \$24.4 million shall be collected from the industrial and commercial
16 classes; and

17 (2) \$9.6 million shall be collected from the residential class.

18 [(e) (1) The Commission shall recommend a total amount of funds to be used
19 for the universal service program for the fourth year, and each year thereafter.

20 (2) The recommendation of the Commission may only be made after
21 consideration of:

22 (i) information related to the funding for the first 3 years;

23 (ii) the retirement, during the first 3 years, of arrearages incurred
24 prior to the initial implementation date; and

25 (iii) the amount of low-income assistance included in rates prior to
26 the initial implementation date.

27 (f) For the fourth year after the initial implementation date, and for each year
28 thereafter, the amount to be used for the universal service program, determined after
29 consideration of the recommendation of the Commission required under this section,
30 is subject to the approval of the General Assembly through the enactment of
31 legislation.]

32 (g) Notwithstanding any other provision of this article, for the 3 years
33 immediately following the initial implementation date, electricity suppliers and
34 electric companies may not terminate, for an arrearage balance due on the initial
35 implementation date, the supply of electricity to a customer who receives assistance
36 under the universal service program under this section.

1 (h) (1) In this subsection, "fund" means the universal service program fund.

2 (2) There is a universal service program fund.

3 (3) (i) 1. The Comptroller shall collect the revenue collected by
4 electric companies under subsection (b) of this section and place the revenue into the
5 fund.

6 2. The General Assembly may appropriate funds
7 supplemental to the funds collected under sub-subparagraph 1 of this subparagraph.

8 (ii) The fund is a continuing, nonlapsing fund that is not subject to
9 § 7-302 of the State Finance and Procurement Article.

10 (iii) The purpose of the fund is to assist electric customers as
11 provided in subsection (a)(1) of this section.

12 (4) The Department of Human Resources, with oversight by the
13 Commission, shall disburse the funds in accordance with the provisions of this
14 section.

15 (5) (I) AT THE END OF A GIVEN FISCAL YEAR, ANY UNEXPENDED
16 FUNDS THAT WERE COLLECTED FOR THAT FISCAL YEAR SHALL BE RETAINED IN THE
17 FUND AND SHALL BE MADE AVAILABLE FOR DISBURSEMENT THROUGH THE END OF
18 THE NEXT FISCAL YEAR TO CUSTOMERS WHO:

19 1. QUALIFY FOR ASSISTANCE FROM THE FUND DURING THE
20 GIVEN FISCAL YEAR; AND

21 2. APPLY FOR ASSISTANCE FROM THE FUND BEFORE THE
22 END OF THE GIVEN FISCAL YEAR.

23 (II) [In any year when there are unexpended funds, those funds]
24 ANY FUNDS COLLECTED FOR A GIVEN FISCAL YEAR THAT ARE RETAINED UNDER
25 SUBPARAGRAPH (I) OF THIS PARAGRAPH AND THAT REMAIN UNEXPENDED AT THE
26 END OF THE NEXT FISCAL YEAR shall be returned to [the customer classes
27 proportionate to how the customer classes paid into] EACH CUSTOMER CLASS IN THE
28 PROPORTION THAT THE CUSTOMER CLASS CONTRIBUTED CHARGES TO the fund FOR
29 THE GIVEN FISCAL YEAR IN THE FORM OF A CREDIT TOWARD THE CHARGE
30 ASSESSED IN THE FOLLOWING FISCAL YEAR.

31 SECTION 2. AND BE IT FURTHER ENACTED, That Section(s) 7-512.1(g)
32 and (h), respectively, of Article - Public Utility Companies of the Annotated Code of
33 Maryland be renumbered to be Section(s) 7-512.1(e) and (f), respectively.

34 SECTION 3. AND BE IT FURTHER ENACTED, That, notwithstanding the
35 requirements of § 7-512.1(b)(3) and (h)(5) of the Public Utility Companies Article, the
36 Public Service Commission may retain any unexpended funds in the electric universal
37 service program fund at the end of June 30, 2003 and make the funds available for
38 disbursement through June 30, 2004 to electric customers who:

1 (1) qualify for assistance from the fund during fiscal year 2003; and

2 (2) apply for assistance from the fund before July 1, 2003.

3 SECTION 4. AND BE IT FURTHER ENACTED, That Sections 1 and 2 of this
4 Act shall take effect July 1, 2003.

5 SECTION 5. AND BE IT FURTHER ENACTED, That, except as provided in
6 Section 4 of this Act, this Act shall take effect June 30, 2003.